



*of Companies*

HALF YEARLY ACCOUNTS  
2010 - 2011  
(UN - AUDITED)

UMER GROUP OF COMPANIES

BHANERO TEXTILE MILLS LIMITED

## Vision

*A Premier quality Company  
providing quality products  
and maintaining an excellent  
level of ethical and  
professional standard.*



## Mission Statement

*To become the leaders of  
Textile products  
in the local  
&  
international market  
and to achieve  
the highest level of success.*



## BHANERO TEXTILE MILLS LIMITED

### Directors' Review

On behalf of the board of directors of Bhanero Textile Mills Limited, I am pleased to present, the un-audited interim condensed financial statements for half year ended 31<sup>st</sup> December 2010 alongwith auditors' review thereon.

#### Operating Results

During the half year ended 31<sup>st</sup> December 2010, the company's profit after tax came to PKR 351.487 million as compared to PKR 80.255 million for the half year ended 31<sup>st</sup> December 2009. During the half year under review the economy of Pakistan remained under pressure due to overall law and order situation in Pakistan. However, by the Grace of Al-Mighty Allah, yours company maintained the profitability track despite these tough business condition.

The earning per share (EPS) for the half year ended 31<sup>st</sup> December 2010 is PKR 117.16 (31<sup>st</sup> December 2009: 26.75).

The company's financial position continues to remain robust reflecting good fundamentals supported by strong capital and revenue reserves. Break up value of shares is PKR 564.01 as at 31<sup>st</sup> December 2010 (30th June 2010 PKR 466.85).

Auditors' review on the condensed interim financial statements for the half year ended 31<sup>st</sup> December 2010 is annexed herewith.

#### Year under Review

World and local trading of cotton is currently fully of volatile posture fluctuating cotton rates. Currently cotton rate is around PKR 12,000 per maund which is all time high rate of cotton. Moreover rate of cotton in international market is around USD 2 per pound.

Rising trend in inflation has so far been controlled through tighten monetary policy but it has affected the business activities very badly. Government should make efforts to bring KIBOR in single digit.

Interrupted power supply has significantly affected production efficiencies and resulted increases in per unit production cost. Besides the load shedding of electricity massive load shedding of gas in Punjab has been observed during December 2010 to February 2011. In the absence of gas supply, we had to operate machinery through power generation based on furnace oil because currently WAPDA is not reliable source of electricity due to interrupted supply of electricity.

Future profitability would depend on the prices of yarn and fabric based on current cotton prices. In the present scenario the results are likely to be normal in coming quarters and the management of the company is doing its best efforts to maintain the profitability margin.

#### Acknowledgement

Yours directors record with appreciation, the efforts of the company's managers, technicians and workers who have worked vigorously to meet the target. Yours directors also extent their appreciation to the company's banker, buyers and suppliers for the cooperation extended by them.

For and on behalf of the Board  
**Mohammad Salim**  
Chief Executive

Karachi : 24<sup>th</sup> February, 2011

# MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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Member of



Illinois, USA

## Auditors' Report to the Members on Review of Condensed Interim Financial Information

### Introduction

We have reviewed the accompanying condensed interim Statement of Financial Position of **Bhanero Textile Mills Limited** as at December 31, 2010, and the related condensed interim Income Statement and condensed interim statement of comprehensive income, condensed interim Statement of Cash Flow and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the interim financial information) for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures for the quarter ended December 31, 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2010.

### Scope of Review

We conducted our review in accordance with international standard on review engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express and audit opinion.

### Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Karachi:

Date: **24<sup>th</sup> February, 2011**

### MUSHTAQ & COMPANY

Chartered Accountants

Engagement Partner:

Shahabuddin A. Siddiqui, FCA



## BHANERO TEXTILE MILLS LIMITED

### Condensed Interim Balance Sheet (Un-audited) As At 31<sup>st</sup> December, 2010

	December	June
EQUITY AND LIABILITIES	Note	2010
SHARE CAPITAL AND RESERVES	Rupees	Rupees
<b>Authorized capital</b>		
6,000,000 (June 2010: 6,000,000) ordinary shares of Rs.10 each	60,000,000	60,000,000
Issued, subscribed and paid up capital	30,000,000	30,000,000
Reserves	1,300,000,000	1,300,000,000
Unappropriated profits	362,040,757	70,553,023
	1,692,040,757	1,400,553,023
Loan from sponsors	100,000,000	100,000,000
<b>NON CURRENT LIABILITIES</b>		
Long term financing - secured	16,967,375	79,968,441
Liabilities against assets subject to finance lease	10,282,924	9,215,694
Employees retirement benefits	59,455,387	52,780,190
Infrastructure fee payable	33,829,319	31,224,995
Deferred taxation	85,569,199	85,569,199
	206,104,204	258,758,519
<b>CURRENT LIABILITIES</b>		
Trade and other payables	432,642,203	245,852,219
Mark-up accrued on loans	25,464,452	20,956,878
Short term borrowings - secured	1,836,229,459	716,291,227
Current portion of long term financing	208,093,402	435,324,658
	2,502,429,516	1,418,424,982
<b>CONTINGENCIES AND COMMITMENTS</b>	5	-
	4,500,574,477	3,177,736,524

*The annexed notes form an integral part of these financial statements*

**Mohammad Salim**  
Chief Executive

Karachi : 24<sup>th</sup> February, 2011

Half Year ended 31<sup>st</sup> December 2010



## BHANERO TEXTILE MILLS LIMITED

### Condensed Interim Balance Sheet (Un-audited) As At 31<sup>st</sup> December, 2010

ASSETS	Note	December 2010	June 2010
NON CURRENT ASSETS		Rupees	Rupees
Property, plant and equipment	6	1,503,440,369	1,573,154,818
Capital work in progress	7	84,696,742	66,895,341
Long term investments		63,000	63,000
Long term loans		11,354,796	10,806,986
Long term deposit		10,233,196	9,615,196
		1,609,788,103	1,660,535,341
CURRENT ASSETS			
Stores, spares and loose tools		53,755,599	49,152,812
Stock in trade		2,160,223,070	951,779,557
Trade debts		406,391,936	387,229,790
Loans and advances		139,337,488	20,846,834
Trade deposits and short term prepayments		36,242,232	31,822,364
Other receivables		7,771,231	4,315,295
Taxation		12,078,614	17,112,518
Sales tax refundable		27,796,147	18,730,641
Cash and bank balances		47,190,057	36,211,372
		2,890,786,374	1,517,201,183
		<u>4,500,574,477</u>	<u>3,177,736,524</u>

**Mohammad Shakeel**  
Director

Karachi : 24<sup>th</sup> February, 2011

Half Year ended 31<sup>st</sup> December 2010



## BHANERO TEXTILE MILLS LIMITED

### Condensed Interim Profit and Loss Account (Un-audited) For The Half Year Ended 31<sup>st</sup> December, 2010

	HALF YEAR ENDED		QUARTER ENDED	
	December 2010 Rupees	December 2009 Rupees	December 2010 Rupees	December 2009 Rupees
Sales	3,274,784,749	2,037,186,059	1,775,670,483	1,068,607,172
Cost of goods sold	<u>2,701,117,617</u>	<u>1,759,218,459</u>	<u>1,410,460,737</u>	<u>923,701,443</u>
Gross profit	573,667,132	277,967,600	365,209,746	144,905,729
Other operating income	4,853,786	949,234	2,783,151	913,388
	<u>578,520,918</u>	<u>278,916,834</u>	<u>367,992,897</u>	<u>145,819,117</u>
Distribution cost	33,801,953	21,741,924	18,553,360	11,926,577
Administrative expenses	35,380,528	32,469,705	18,092,228	16,856,090
Other operating expenses	21,328,865	5,672,974	14,108,498	2,885,670
Finance cost	95,275,782	111,848,384	61,691,993	59,925,701
	<u>185,787,128</u>	<u>171,732,987</u>	<u>112,446,079</u>	<u>91,594,038</u>
Profit before tax	392,733,790	107,183,847	255,546,818	54,225,079
Provision for tax				
Current period	39,292,753	26,928,219	19,850,199	14,187,205
Prior period	1,953,303	-	1,953,303	-
	<u>41,246,056</u>	<u>26,928,219</u>	<u>21,803,502</u>	<u>14,187,205</u>
Profit after tax	<u>351,487,734</u>	<u>80,255,628</u>	<u>233,743,316</u>	<u>40,037,874</u>
Earnings per share - basic and diluted	<u>117.16</u>	<u>26.75</u>	<u>77.91</u>	<u>13.35</u>

*The annexed notes form an integral part of these financial statements*

**Mohammad Salim**  
Chief Executive

**Mohammad Shakeel**  
Director

Karachi : 24<sup>th</sup> February, 2011



## BHANERO TEXTILE MILLS LIMITED

### Condensed Interim Statement of Comprehensive Income (Unaudited) For the Half Year Ended 31<sup>st</sup> December 2010

Note	December 2010 Rupees	December 2009 Rupees
Profit for the half year after taxation	351,487,734	80,255,628
Other comprehensive income for the half year	-	-
<b>Total comprehensive Income for the half year</b>	<u>351,487,734</u>	<u>80,255,628</u>

*The annexed notes form an integral part of these financial statements*

**Mohammad Salim**  
Chief Executive

**Mohammad Shakeel**  
Director

Karachi : 24<sup>th</sup> February, 2011





## BHANERO TEXTILE MILLS LIMITED

### Condensed Interim Cash Flow Statement (Un-audited) For The Half Year Ended 31<sup>st</sup> December, 2010

	December 2010 Rupees	December 2009 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	392,733,790	107,183,847
<b>Adjustments for:</b>		
Depreciation on property, plant and equipment	78,287,327	83,094,410
Provision for employees' benefits	10,500,000	10,410,000
Infrastructure fee	2,604,324	3,020,506
(Gain) on disposal of property, plant and equipment	(300,434)	(79,782)
Finance cost	95,275,782	111,848,384
<b>Operating cash flows before changes in working capital</b>	579,100,789	315,477,365
<b>(Increase)/decrease in current assets</b>		
Inventories	(1,213,046,300)	(600,409,857)
Trade debts	(19,162,146)	12,110,117
Loans and advances	(118,490,654)	(66,064,735)
Trade deposits	(4,419,868)	(9,284,481)
Other receivables	(3,455,936)	249,632
Sales tax refundable	(9,065,506)	(6,092,430)
	(1,367,640,410)	(669,491,754)
Increases in short term borrowing	1,119,938,232	532,595,487
Increase in trade and other payables	129,783,755	53,468,910
<b>Cash generated by operations</b>	461,182,366	232,050,008
Finance cost paid	(90,768,208)	(119,201,920)
Employees' benefits paid	(3,824,803)	(3,948,324)
Income taxes paid	(36,212,152)	(21,682,816)
Long term loans	(547,810)	(1,696,582)
Long term deposits	(618,000)	14,962,482
	(131,970,973)	(131,567,160)
<b>Net cash used in operating activities</b>	329,211,393	100,482,848



## BHANERO TEXTILE MILLS LIMITED

### Condensed Interim Cash Flow Statement (Un-audited) For The Half Year Ended 31<sup>st</sup> December, 2010

	December 2010 Rupees	December 2009 Rupees
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	1,730,000	2,700,000
Purchase of property, plant and equipment	(27,803,848)	(28,211,977)
<b>Net cash used in investing activities</b>	<b>(26,073,848)</b>	<b>(25,511,977)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of long term financing	(292,326,234)	(50,546,680)
Payment of liability against assets subject to finance lease	3,161,145	3,806,496
Dividend paid	(2,993,771)	(5,981,369)
<b>Net cash from financing activities</b>	<b>(292,158,860)</b>	<b>(52,721,553)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>10,978,685</b>	<b>22,249,318</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>36,211,372</b>	<b>22,665,590</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>47,190,057</b>	<b>44,914,908</b>

*The annexed notes form an integral part of these financial statements.*

**Mohammad Salim**  
Chief Executive

**Mohammad Shakeel**  
Director

Karachi : 24<sup>th</sup> February, 2011



## BHANERO TEXTILE MILLS LIMITED

### Condensed Interim Statement of Changes in Equity (Unaudited) For The Half Year Ended 31<sup>st</sup> December 2010

	Share Capital Rupees	General Reserves Rupees	Unappropriated Profit Rupees	Total Rupees
<b>Balance as at 30<sup>th</sup> June, 2009</b>	30,000,000	900,000,000	54,716,498	984,716,498
Final cash dividend for the year ended June 30, 2009 PKR. 2.00 per share	-	-	(6,000,000)	(6,000,000)
Profit for half year ended 31 <sup>st</sup> December 2009	-	-	80,255,628	80,255,628
<b>Balance as at 31<sup>st</sup> December, 2009</b>	<b>30,000,000</b>	<b>900,000,000</b>	<b>128,972,126</b>	<b>1,058,972,126</b>
Profit for the remaining period	-	-	341,580,897	341,580,897
Transferred to general reserve	-	400,000,000	(400,000,000)	-
<b>Balance as at 30<sup>th</sup> June, 2010</b>	<b>30,000,000</b>	<b>1,300,000,000</b>	<b>70,553,023</b>	<b>1,400,553,023</b>
Final cash dividend for the year ended June 30, 2010 PKR. 20.00 per share	-	-	(60,000,000)	(60,000,000)
Profit for half year ended 31 <sup>st</sup> December 2010	-	-	351,487,734	351,487,734
<b>Balance as at 31<sup>st</sup> December, 2010</b>	<b>30,000,000</b>	<b>1,300,000,000</b>	<b>362,040,757</b>	<b>1,692,040,757</b>

*The annexed notes from an integral part of these financial statements*

**Mohammad Salim**  
Chief Executive

**Mohammad Shakeel**  
Director

Karachi : 24<sup>th</sup> February, 2011



## BHANERO TEXTILE MILLS LIMITED

### Condensed Interim Notes to Financial Statement (Un-audited) For The Half Year Ended 31<sup>st</sup> December 2010

#### 1 NATURE AND SCOPE OF THE BUSINESS

The company was incorporated in Pakistan as a public limited company on March 30, 1980. Its shares are quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The company is principally engaged in manufacturing and sale of yarn and fabrics. The registered office is located at Umer House, 23/1, Sector 23, S.M Farooq Road, Korangi Industrial Area, Karachi.

#### 2 BASIS OF PREPARATION

##### 2.1 Statement of compliance

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Finance Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as applicable in Pakistan. This condensed interim financial information does not include all of the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 30th June, 2010. This condensed interim financial information is being submitted to the shareholders as required by the Listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984.

These condensed interim financial statements comprise of condensed interim statement of financial position, condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flow and condensed interim statement of changes in equity together with the notes for the half year ended December 31, 2010 which have been subjected to a review but not audited. These condensed interim financial statements also include the condensed interim income statement for the quarter ended December 31, 2010.

#### 3 SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended 30 June, 2010.

#### 4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

- 4.2 Judgments and estimates made by management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended June 30, 2010.

- 4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2010.

#### 5 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There is no material change in contingencies and commitments as disclosed in annual financial statements for the year ended June 30, 2010.



## BHANERO TEXTILE MILLS LIMITED

### Condensed Interim Notes to Financial Statement (Un-audited) For The Half Year Ended 31<sup>st</sup> December 2010

6 ACQUISITION AND DISPOSAL OF FIXED ASSETS	December 2010 Rupees	June 2010 Rupees
Written down value of assets - opening	1,573,154,818	1,724,335,447
Addition during the period	10,002,450	17,136,511
disposal during the period - written down value	(1,429,572)	(4,106,247)
depreciation charged during the period	(78,287,327)	(164,210,893)
written down value of assets - closing	<u>1,503,440,369</u>	<u>1,573,154,818</u>
<b>7 CAPITAL WORK IN PROGRESS</b>		
Factory Building	76,459,451	7,026,781
Plant & Machinery	5,825,739	59,868,560
Others	2,411,552	-
	<u>84,696,742</u>	<u>66,895,341</u>

#### 8 TRANSACTIONS WITH ASSOCIATED UNDERTAKING

The Company enters into transactions with the related parties in normal course of business at arm's length price determined in accordance with "Comparable Uncontrolled Price Method". Transactions with related parties other than remuneration and benefits to key management personnel under the terms of employment are as follows:

	December 2010 Rupees	December 2009 Rupees
Services received	60,000	1,060,000
Services rendered	8,826,893	7,656,770
Electricity purchased	142,515,551	77,512,655
Purchase of yarn, fabric, cotton and stores	67,546,619	135,111,410
Sales of yarn and fabric	320,058,258	193,207,009

#### 9 DATE OF AUTHORIZATION FOR ISSUE

These six months period financial statements were authorized for issue on 24th February 2011 by the Board of Directors of the Company.

#### 10 DIVIDEND

The Company has paid cash dividend at the rate of 200% (i.e. Rs. 20.0 per share) on the ordinary shares as approved in 31st Annual General Meeting held on October 26, 2010.

#### 11 OTHERS

There are no other significant activity since June 30, 2010 affecting the financial statements.

#### 12 COMPARATIVE FIGURES

In order to comply with the requirements of international Accounting Standards 34 "Interim Financial Reporting", Balance Sheet has been compared with the balances of annual financial statements while profit & Loss Accounts has been compared with corresponding figures of last year quarter.

**Mohammad Salim**  
Chief Executive

**Mohammad Shakeel**  
Director

Karachi : 24<sup>th</sup> February, 2011

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